

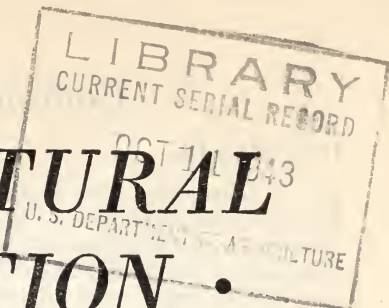
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# THE AGRICULTURAL SITUATION



SEPTEMBER 1943

*A Brief Summary of Economic Conditions*

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

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FARM people, anticipating in 1943 the largest cash income in their history, are being urged by national and local leaders and the U. S. Treasury to invest heavily this fall in War Bonds and thus do an extra share to speed the war's end. As around 45 percent of the farmers' cash in 1943 will be obtained in the last 4 months of the year this appeal has genuine timeliness. Farmers, already investors in War Bonds to the tune of around 1 billion dollars, are asked to swell this total as much as possible by the end of the harvesting season. War Bond purchases, for that matter, hold special attraction to farmer investors in addition to their fundamental appeal to patriotism. War Bonds meet every requirement for safety and for liquidity. They are an ideal means for storing up extra purchasing power at a time when money is relatively plentiful for a great number of farmers but purchases are strictly limited, against the time when more goods become available and the purchasing power will be needed. Many farmers also are reported making War Bond purchases on a regularly budgeted basis to provide for post-war improvements of their farms which cannot be made during wartime because of scarcity of materials and labor, and others are buying bonds to build up educational funds for their children.

# Commodity Reviews

## INCOME: Rise

CASH income from farm marketings during the period January to June 1943 rose to 7,802 million dollars, an increase of 35 percent over that for the first half of 1942. Crop marketings were 45 percent higher and live stock marketings were 31 percent higher than in corresponding period of 1942. Government payments totaled 400 million dollars for the first 6 months in 1943, compared with 431 million dollars in those months of 1942.

With favorable growing conditions reported quite general over the country during the past few weeks, income from crops this year may be somewhat larger than last year. Income from livestock in 1943 probably will be considerably greater than in 1942. Gross farm income in 1943 may be as much as 20 percent above 1942. The increase in production expenses probably will be little more than half as great. Possibility of a 25 to 30 percent increase in net income of farm operators appears indicated.

## PRICES: Decreases

DECREASES in prices for agricultural products during July and August more than offset a slight rise in the prices of other commodities. Most of the decline in wholesale prices of agricultural commodities in the past 2 months has been seasonal.

The livestock-feed situation now dominates the outlook for wholesale prices of farm commodities. Effective July 31 the Office of Price Administration set price ceilings for 1943 crop oilmeals at levels \$2 to \$11.50 per ton higher than for 1942 crop oilmeals. These advances will be reflected in higher prices for mixed feeds. Revisions in ceiling prices for oilmeals followed announcement of a support price for 1943 crop cottonseed about \$6 per ton higher than last year.

The OPA on August 20 announced

revised ceiling prices for flour. It was pointed out by OPA that some sort of subsidy probably would need to be paid in order to prevent a rise in the price of bread.

## DAIRY PRODUCTS: Set Aside

IN ACCORDANCE with its policy of adjusting to seasonal production the percentage of dairy products reserved for Government purchase, the War Food Administration has decreased the percentage of cheese and butter to be set aside by manufacturers. The new percentages to be set aside are 60 and 30 percent, respectively, in August; 60 and 20 percent respectively in September, and 50 and zero percent respectively in October. With the new percentages, amounts left for civilian consumption will be in line with the yearly allocation under the rationing programs.

Butter for civilian consumption continued short of demand under the ration program during August, with most stores in the East limiting their sales. To assist in adjusting demand to the limited supply, the point value for butter was raised from 8 points per pound to 10 points effective August 1 and from 10 points to 12 points effective September 5. Supplies of Cheddar cheese were acutely short on most markets and of brick and foreign types were somewhat short. Supplies of soft types of cheese appeared ample to meet the demand under the ration program.

Commercial stocks of evaporated milk have been growing rapidly. Total butter stocks, including Government stocks and those set aside for Government purchase, also have been increasing and on August 1 were at a record level. Stocks of cheese have been increasing by more than the usual seasonal amount but continue below last year's level. These stocks will be needed to fill essential requirements during the winter.

## FATS, OILS: Outlook

With August 1 indications pointing to a crop of nearly 3 billion pounds of peanuts picked and threshed this year, compared with about 2.2 billion pounds in 1942, the outlook for vegetable oil production is favorable. Production of cottonseed in 1943 may be but little less than in 1942, with the decrease in cotton acreage being offset to some extent by an increase in yield per acre. Harvest of soybeans for beans is not expected to be much different from last year's. Flaxseed production is forecast at 54.3 million bushels, nearly 14 million bushels more than in 1942. If these prospects materialize and if utilization of the crops for purposes other than crushing does not increase materially over 1942-43, output of oil from peanuts, cottonseed, soybeans, and flaxseed harvested in 1943 may surpass by more than 15 percent the 3,450 million pounds produced in 1942-43.

Production of fats and oils from domestic materials, including farm butter and uninspected lard, totaled roughly 5,230 million pounds, in the first 6 months of 1943, compared with 4,760 million pounds a year earlier. Production of inedible tallow and greases, decreased by 110 million pounds and there were increases of 345 and 149 million pounds, respectively, in output of soybean oil and lard. Total production of fats and oils from domestic materials this year may be around 10.7 billion pounds, compared with 9.9 billion pounds last year.

Basic features of the 1943-44 oilseed crushing program were announced by the War Food Administration and the Office of Price Administration in late July and early August. Support prices for cottonseed will be \$55 and \$56 per ton for basis-grade seed f. o. b. gin, \$6 per ton higher than in 1942-43. Commodity Credit Corporation will buy on request, at or near ceiling prices, any cottonseed oil, meal, or linters produced by mills paying sup-

port prices for cottonseed. Detailed schedules of prices for farmers' stock peanuts have been announced. Cleaners and shellers will be charged higher prices than those paid to farmers, but crushers will be charged lower prices. Maximum prices for oil meals were advanced effective July 31. Increased prices for meal, together with higher prices for linseed oil than prevailed a year ago, will about compensate crushers for higher prices of oilseeds in 1943-44.

## POULTRY AND EGGS

FARM marketings of chickens have been increasing in recent weeks, with supplies in most markets about enough to meet demand at ceiling prices. In several instances prices of inferior quality birds have been a little less than the maximums established by the OPA. Although receipts of dressed chickens have been much larger than they were a few weeks ago, they are somewhat smaller than a year ago.

Preliminary estimates indicate that 926 million chickens are being raised on farms this year, 16.5 percent more than in 1942. Hatchery production, mostly for commercial broilers, apparently is being maintained at a record level.

Marketings of chickens in the rest of the year will be considerably larger than last year.

Egg production in July was 11 percent above the previous record for that month in 1942, but about one-third smaller than the April output, the seasonal peak for the year. In recent weeks the demand for some eggs has been exceeding market supplies at ceiling prices by an increasing degree, even though such prices are increased periodically. Egg production will decline seasonally until November, but probably will continue larger than a year earlier through the remainder of 1943.

On the basis of average relationships, an increase of 8 to 10 percent

in number of layers on January 1, 1944, would be expected to follow the increase in chickens raised this year. The number of potential layers that farmers keep for 1944 will be influenced by the outcome of this year's feed crops and by any additional Governmental action with respect to prices and supplies of feeds and the timing of any such action.

## LIVESTOCK: Outlook

**H**og slaughter for the rest of the year probably will continue to be larger than in the corresponding months of 1942 because of the record spring pig crop produced this year. The lamb crop is estimated at 31.1 million head, 5 percent smaller than last year. Reduction in the lamb crop of the Western States was attributed to shortage of skilled labor at lambing time and to a lack of ammunition for use against coyotes. In the native States the lambs saved per 100 ewes were down from 99.0 last year to 96.0 this year. Slaughter of sheep and lambs under Federal inspection has shown a sharp increase. Most of this increased slaughter was sheep, with little change in the slaughter of lambs and yearlings. Because of the smaller lamb crop it now appears that although slaughter during the rest of the year will be heavy, it won't approach last year's record. Cattle and calf slaughter under Federal inspection is still unusually low compared with numbers on farms.

## FEED GRAINS: Supply

**T**he feed grain supply for 1943-44 probably will total about 144 million tons, a gain of 7 million tons over that indicated on July 1. This is 10 million tons smaller than the 1942 record supply, but 23 million tons larger than the 1937-41 average. The indicated increase results largely from favorable growing conditions in the Corn Belt, causing an increase of 168 million bushels in the indicated size of

the corn crop. Indicated production of all hay is 99 million tons, 6 percent less than the record production in 1942. The 1943-44 supply of feed grains per grain-consuming animal unit probably will be about 15 percent less than a year ago, and the hay supply per animal about 5 to 10 percent less.

Ceiling prices of oilmeals and cakes produced from the 1943 oil seed crops have been raised to bring a more nearly normal relationship between prices of oilmeals and prices of other feeds and livestock products. In response to increased ceilings, prices of soybean meal at Chicago and cottonseed meal at Memphis have risen substantially.

Demand for feed wheat has continued strong, with sales running 8 to 15 million bushels per week since they were resumed July 13. Wheat owned by Commodity Credit Corporation on July 31, 1943, totaled 176 million bushels. Receipts of corn at primary markets increased to a considerable extent in August. Although nearly all prices with ceilings remained at top levels, oats, barley, and grain sorghum prices, not yet covered by ceilings, advanced during the past month. The greatest increase in recent weeks has been in grain sorghum prices.

## WHEAT: Production

**T**HE indicated wheat crop of 835 million bushels is 44 million bushels above the indication of a month earlier and 96 million bushels above the 1932-41 average. The total indicated on August 1, however, is 146 million bushels less than last year's large crop. Winter wheat production was estimated at 534 million bushels and spring wheat at 301 million bushels, which compares with 703 and 278 million bushels respectively, for 1942. Production of all classes of wheat, except hard red spring wheat, will be below that of last year. The supply of soft red winter wheat is again below ordinary milling requirements. Pro-

duction of this class of wheat is estimated at 16 percent less than last year and 33 percent under the 1932-41 average.

With the carry-over of old wheat on July 1 at 618 million bushels, the total domestic supply of wheat without imports is indicated at 1,453 million bushels for the year ahead. Disappearance of domestic wheat in 1943-44 probably will be about 1.2 billion bushels. This disappearance, in millions of bushels, will be distributed about as follows: food, 535; seed, 80; alcohol, 125; feed, 425; and exports and shipments, 40. How much wheat will be used in alcohol production will depend largely upon how much molasses can be used for this purpose. Feed of 425 million bushels assumes that 120 million bushels will be fed on farms where grown, with 65 millions fed that were purchased from the Commodity Credit Corporation prior to July 1 but not fed until afterwards, sales of 215 million owned by the Commodity Credit Corporation on July 1 and perhaps 25 million bushels purchased by CCC in domestic and foreign markets. Carry-over on June 30 next year probably will total about 250 million bushels.

### TRUCK CROPS: Supply

**S**UPPLY of commercial truck crops for fresh market during the next few weeks is expected to continue smaller than in 1942. Lack of moisture and continuance of hot weather have reduced yields in many truck crop areas, particularly in the Middle Atlantic States. Increases in crops of snap beans, beets, cabbages, carrots, eggplants, and tomatoes, probably will be more than offset by decreases in the crops of lima beans, cauliflower, corn, lettuce, onions, spinach, and peppers, and much smaller crops of celery, cucumbers, cantaloups and watermelons. Although in shorter supply than a year ago, lima beans, cauliflower, celery, onions, and peppers

should be more plentiful during the next few weeks than in the early summer.

Tonnage of truck crops for processing probably will not vary greatly from that of last year. Indicated production this season, compared with last, is up 11 percent for snap beans; 7 percent for green peas, and 4 percent for sweet corn. The tomato crop for processing may be about 2 percent smaller than in 1942. An increase is indicated for beets and no change for spinach, but the tonnage of cabbage for kraut, cucumbers for pickles, lima beans, and pimientos is expected to be smaller than last year's.

### FRUITS: Production

**P**RODUCTION of deciduous tree-fruit and grapes this year is expected to be about 17 percent smaller than in 1942 and 12 percent below the 10-year (1932-41) average. Prospects are for prune and grape crops 12 percent and 11 percent larger respectively than in 1942. August 1 conditions indicate the fig crop will be about the same as last year's. All other deciduous fruit crops probably will be much smaller than last season. The commercial apple crop is indicated to be only 72 percent as large as last year, with production in all important apple States except California expected to be smaller than last season and the crop in the South Atlantic States only about half that of a year ago. The greatest relative decrease is expected in the Delicious variety, and Wealthys are the only variety with a larger indicated production than last season. Peach, pear, and cherry production is indicated to be 36 percent, 22 percent, and 37 percent smaller, respectively, than in 1942.

Citrus production, on the other hand, may be about as large in 1943-44 as in 1942-43. Conditions this year, compared with a year ago, are more favorable for California oranges, grapefruit, and lemons, but less favorable

for Florida oranges and Florida and Texas grapefruit. If conditions for citrus production continue favorable, the total fruit supply in the 1943-44 season, citrus and deciduous, will be about 11 percent smaller than in 1942-43.

## POTATOES: Prospects

THE prospective potato crop of approximately 443.1 million bushels indicated August 1 is 19 percent larger than last year's crop and 2 percent larger than indicated a month earlier. Prospects have improved somewhat in the Eastern and Central surplus late potato States, but have become slightly less favorable in Idaho, Nebraska, Ohio, Illinois, and some of the minor potato-producing States. Indicated average yield in 1943 for the United States as a whole is 131.7 bushels per acre, or 5.2 bushels less than in 1942.

Potato prices continue below the

## Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid, interest, and taxes	Buying power of farm products <sup>1</sup>
1942			
January.....	145	145	103
February.....	145	147	99
March.....	146	150	97
April.....	150	150	100
May.....	152	151	101
June.....	151	151	100
July.....	154	152	101
August.....	163	152	107
September.....	163	153	107
October.....	169	154	110
November.....	169	155	109
December.....	178	156	114
1943			
January.....	182	157	116
February.....	178	159	112
March.....	182	160	114
April.....	185	162	114
May.....	187	163	115
June.....	190	164	116
July.....	188	165	114
August.....	193	165	117

<sup>1</sup> Ratio of prices received to prices paid, interest, and taxes.

## Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

	5-year average		August 1942	July 1943	August 1943	Parity price August 1943
	August 1909-July 1914	January 1935-December 1939				
Wheat (bushel).....dollars..	.884	.837	.954	1.26	1.27	1.46
Corn (bushel).....do.....	.642	.691	.834	1.08	1.09	1.06
Oats (bushel).....do.....	.399	.340	.426	.656	.652	.653
Rice (bushel).....do.....	.813	.742	1.1.65	1.77	1.63	1.34
Cotton (pound).....cents.....	12.4	10.29	18.03	19.60	19.81	20.46
Potatoes (bushel).....dollars..	.697	.717	1.1.37	1.67	1.59	1.19
Hay (ton).....do.....	11.87	8.87	8.89	11.90	12.20	19.60
Soybeans (bushel).....do.....	2.96	.954	1.58	1.70	1.68	1.58
Peanuts (pound).....cents.....	4.8	3.55	5.99	7.15	7.17	7.92
Apples (bushel).....dollars..	.96	.90	1.16	2.55	2.16	1.58
Oranges, on tree, per box.....do.....	1.81	1.11	1.80	2.74	2.75	1.92
Hogs (hundredweight).....do.....	7.27	8.38	14.12	13.20	13.70	12.00
Beef cattle (hundredweight).....do.....	5.42	6.56	11.08	12.60	12.30	8.94
Veal calves (hundredweight).....do.....	6.75	7.80	12.74	13.90	13.70	11.10
Lambs (hundredweight).....do.....	5.88	7.79	12.05	13.30	12.80	9.70
Butterfat (pound).....cents.....	26.3	29.1	40.7	49.2	49.8	41.3
Milk, wholesale (100 pound).....dollars..	1.60	1.81	2.53	3.07	3.13	2.59
Chickens (pound).....cents.....	11.4	14.9	19.6	25.3	25.6	18.8
Eggs (dozen).....do.....	21.5	21.7	32.2	36.3	38.8	34.8
Wool (pound).....do.....	18.3	23.8	39.9	41.5	41.2	30.2
Tobacco:						
Flue-cured, type 11-14.....cents..	22.9	---	33.7	---	37.2	30.9
Maryland, type 32.....cents.....	22.9	17.6	29.5	59.0	60.0	24.3

<sup>1</sup> Revised.

<sup>2</sup> Comparable base price, Aug. 1909-July 1914.

<sup>3</sup> Comparable base price, August 1919-July 1929.

<sup>4</sup> Adjusted for seasonality.

<sup>5</sup> Preliminary.

<sup>6</sup> 5-season average, 1934-38.

<sup>7</sup> Base price crop years 1919-28.

ceilings, with some sales being made to the Government at support prices. Government purchases totaled 6,614 cars through August 7. As of that date, the War Food Administration reports about 420 cars of these purchases had been sold through normal market channels. About 5,300 cars had been diverted to processors and to state institutions; and it was planned to divert the remainder similarly.

A sweetpotato crop of approximately 81.3 million bushels is indicated. This total would be 24 percent larger than last year's and 17 percent above the 10-year (1932-41) average. Prospective production is about 2 percent smaller than was indicated a month ago, primarily because of less favorable conditions in Maryland, Virginia, North Carolina, Tennessee, Mississippi, Arkansas, Oklahoma, and Texas. Shipments of new sweetpotatoes from Florida, Alabama, and Louisiana have reached large volume. Prices have declined materially from the June peak, but remain far above those of a year ago.

### COTTON: Yield

WITH the 10-year-average acreage abandonment, cotton production this season is estimated at 12,558,000 bales of 500 lbs. gross weight, or 4.8 percent above the 1938-42 average. The estimated crop is equivalent to about 12.2 million running bales. Although the cotton acreage in cultivation this year is 9.1 percent under the 1938-42 average and the smallest since 1894, prospective yield is 279.4 lbs. This yield is 14 percent above the 1938-42 average, the highest on record, and nearly 7 pounds per acre above the previous record of last season.

The 1943 Government loan rate has been announced at 19.26 cents per pound, gross weight, for middling  $1\frac{1}{16}$ " cotton. This compares with rates of 17.22 cents in 1942 and 14.22 cents in 1941.

### DRY BEANS: Record

A RECORD crop of approximately 22.8 million bags of dry edible beans is in prospect for 1943—a crop 16 percent larger than in 1942 and 59 percent larger than the 10-year (1932-41) average. The 1943 planted acreage is almost one-third larger than last season's, but the indicated yield this year is 899 pounds per acre, or 96 pounds less than the high yield of 1942. Prices for dry beans continue at ceiling levels.

### TURKEYS: Sales Order

WAR Food Administration on August 18 ordered all further sales of turkeys to civilians to stop after August 21 until the armed forces' request for 10 million pounds of turkeys for overseas shipment is met.

This restriction was issued as an amendment to Food Distribution Order 71 which became effective August 2. The original order prohibited the sale, purchase, or processing of live or dressed turkeys, except as authorized by designated Governmental agencies, but did not apply to turkeys in storage before August 2.

About the same number of turkeys will be raised this year as last—33,069,000 birds, or 3 percent less than the record crop of 1940, but 22 percent above the 5-year (1935-39) average, according to preliminary estimates.

### ACP PAYMENTS

WAR Food Administration has announced a revised scale for payments to farmers under the 1943 agricultural conservation program in order to adjust available conservation funds to the increased participation in the program.

The revised rates of payments (with former rates in parentheses) are:

Cotton, one cent per pound (1.1 cents); corn, 3 cents per bushel (3.6 cents); and wheat, 8.5 cents per bushel (9.2 cents). The rates of payment remain unchanged for rice and for the

various types of tobacco included in the program. The rates for computing payments earned by carrying out approved production practices also are unchanged from the schedules previously announced. Payments for cotton, corn, wheat, rice, and tobacco are made on normal production of the allotted acreage.

## PARITY PAYMENTS

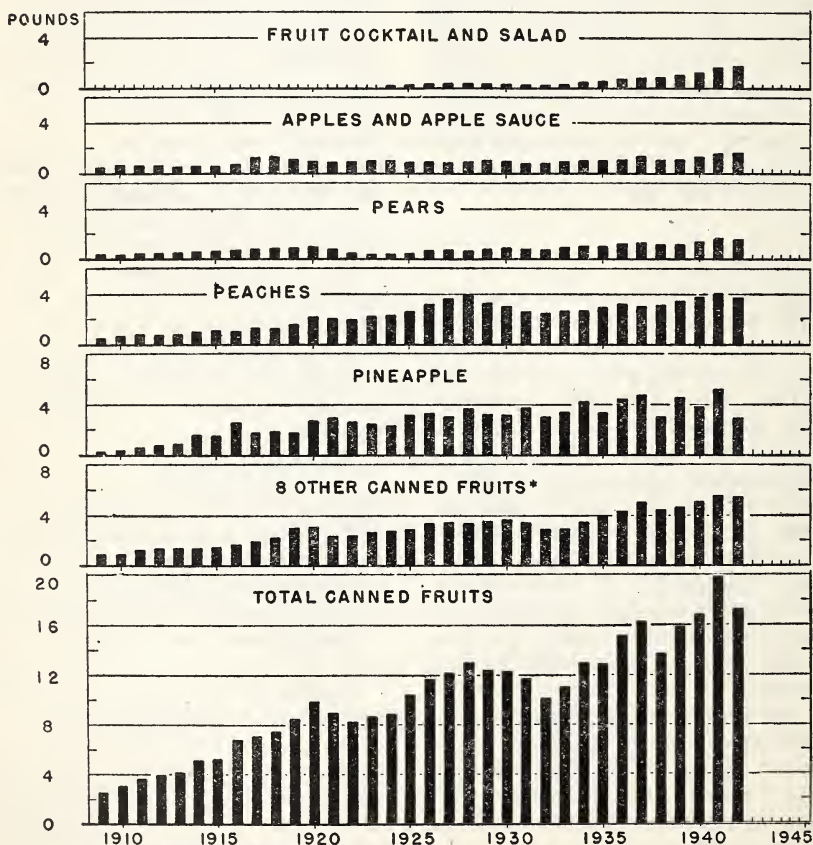
**P**ARITY payment rates applying to the 1942 crops of corn grown in the commercial corn area, wheat, and types 41-44, 46, and 51-55 of cigar-filler and cigar-binder tobacco have been an-

nounced by War Food Administration.

The 1942 crop parity payment rate to corn producers in the commercial corn area will be 7.2 cents per bushel; farmers growing cigar-filler tobacco type 41 will receive .2 cent per pound; producers of cigar-filler and binder types 42-44, 46, and 51-55 will receive one cent per pound; and wheat farmers will receive 13.7 cents per bushel. With these payments, the return of farmers from these crops will equal parity prices.

In announcing the payment rates on the three crops, WFA reported that parity payments will not be made on the other basic crops.

**CANNED FRUITS: CIVILIAN PER CAPITA CONSUMPTION,  
UNITED STATES, 1909-42**  
(NET CANNED WEIGHT)



\* APRICOTS, BERRIES, CHERRIES, CRANBERRIES, FIGS, OLIVES, PLUMS AND PRUNES, AND GRAPEFRUIT SEGMENTS

# FARM WAGE RATES

IN VIEW of the rapid rise of farm wage rates during the past year or two, present and past relationships between farm wage rates and the factors normally determining the farm wage rate level should be analyzed. In the second quarter of 1943 the farm wage rate index reached and exceeded the record high for the past 33 years, established during 1920 following the World War I boom period. From an index value of 129 percent of the 1910-14 average in July 1940, farm wage rates jumped to an index of 202 by July 1, 1942, and to 274 on July 1, 1943. An increase of 112 percent in 3 years is indeed a phenomenal one.

Of the various factors associated with farm wage rate changes, farm income is the most important. It is important not only because it determines the farmers' ability to pay a given wage rate, but also because it is closely correlated with other important factors making for wage rate changes, such as the level of wages and earnings of industrial workers, the level of industrial activity and employment, and thus with the available labor supply. Historically, changes in farm wage rates have followed fairly closely the changes in farm income on a gross or on a net basis, as will be noted from the accompanying chart for the 1910-42 period. Although the relationship is not uniform throughout this period, approximately 90 percent of the yearly variation in farm wage rates is explainable in terms of changes in gross cash farm income. The average relationship between wage rates and net farm income is almost as close. The slightly higher association between wage rates and gross cash farm income probably reflects farmers' greater awareness of gross cash receipts than of net income. In recent years, however, there has been a tendency for farm wage rates to move in closer relationship with net farm income than formerly.

WHAT the "normal" relationship is between wage rates and farm income cannot easily be determined. Farm wage rates tend to lag behind farm income changes, both on the upswing and the downswing of income conditions. They lagged behind the sharp upswing of farm income during 1915-19, years of the first World War, but did not start to decline until a year after the 1919 peak in income was passed. From 1921 to 1929 farm wage rates moved in close association with cash farm income, but remained at a relatively higher level than net farm income even through the depression years of 1930-32. From the depression low, farm wage rates did not begin to rise until 1934, whereas farm income started rising in 1933. From 1933 to 1937, and again from 1940 to 1942, farm wage rates did not increase as fast or as much as farm income, the lag being more noticeable in relation to gross cash income than to net farm income.

If the average relationship between wage rates and farm income (either on a gross or net basis) prevailing during the whole 33-year period for which the information is available is taken to be the "normal," and if an allowance is made for the usual time difference of about 6 months between changes in income and the response in wage rates, it may be seen that farm wage rates in 1942 were still somewhat below the level suggested by the income relationship alone (lower section of the accompanying chart).<sup>1</sup>

Other factors in addition to farm income, of course, have some influence

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<sup>1</sup> Comparisons on a concurrent year basis between farm wage and farm income changes during a period of accelerated income increase tend to exaggerate the divergence between farm wage and income index levels. Actually farm wage rates cannot be expected to show an immediate response to farm income changes since farm wage rate commitments in any year are in large part entered into prior to the realization of income from that year's production, and may in part be paid out of the preceding year's income.

in determining the wage rate level during any given year. These factors include the cumulative effects on the labor supply demand ratio of industrial employment and the amount of farm-to-city migration on the one hand, and the degree of progress in mechanization of farming operations on the other. Allowing for labor supply changes as reported by farmers and for the trend in mechanization since 1919, it appears that farm wage rates in 1941, 1942, and so far in 1943 are at approximately the levels expected on the basis of average long-time relationships.

**A**LTERNATING patterns of agricultural prosperity and depression have been accompanied by varying degrees of disparity between farm income and farm wage rates, sometimes favoring agricultural wage workers, as in most of the twenties, and sometimes favoring farm operators, as in the middle thirties. The period 1910-14 is generally considered as one in which there was a fair balance in income position of farmers relative to that of other groups in the economy, and the reestablishment of a corresponding balance has long been the objective of farm price and income policies. It is of interest, therefore, to observe that the 1942 farm wage rate level was still about 4 percent under that which would have been reached if the 1910-14 ratio of farm wage rates to total *net* farm income had prevailed in 1942, even after an allowance is made for the normal lag between wage rates and net farm income. Similarly, the 1942 farm wage rates were about 15 percent under the wage level which would have been reached if the 1924-29 ratio of wage rates to net farm income had held. The actual average farm wage rate in 1942 for the United States was approximately equal to the wage indicated by the 1935-39 ratio of wage rates to total net farm income, when farm wages were depressed by large rural and urban

unemployment and by the restricted outmigration of farm people during the depression years. However, one additional fact needs to be kept in mind—namely, the decrease in farm population and in farm workers which has occurred since 1910. Net farm income per capita or per person engaged in agriculture has therefore increased in recent years relatively more than the increase in total net farm income. Ratios of wage rates to net farm income per worker which held in 1910-14, 1924-29, or 1935-39 when applied to the average net farm income per agricultural worker in 1941-42 consistently yield wage rates higher than those paid in 1942. The prevailing 1942 wage level was approximately 20 percent under the wage rates suggested by the 1910-14 ratio of wages to net income per farm worker and about 4 to 7 percent under that suggested by the 1935-39 ratio.

**D**ESPITE the sharply rising level of farm wage rates during 1943, it is doubtful whether the average wage rates for this year will exceed the levels suggested by the 1935-39 ratio of farm wage rates to *total* net income\* or will reach the level suggested by the 1910-14 ratio.

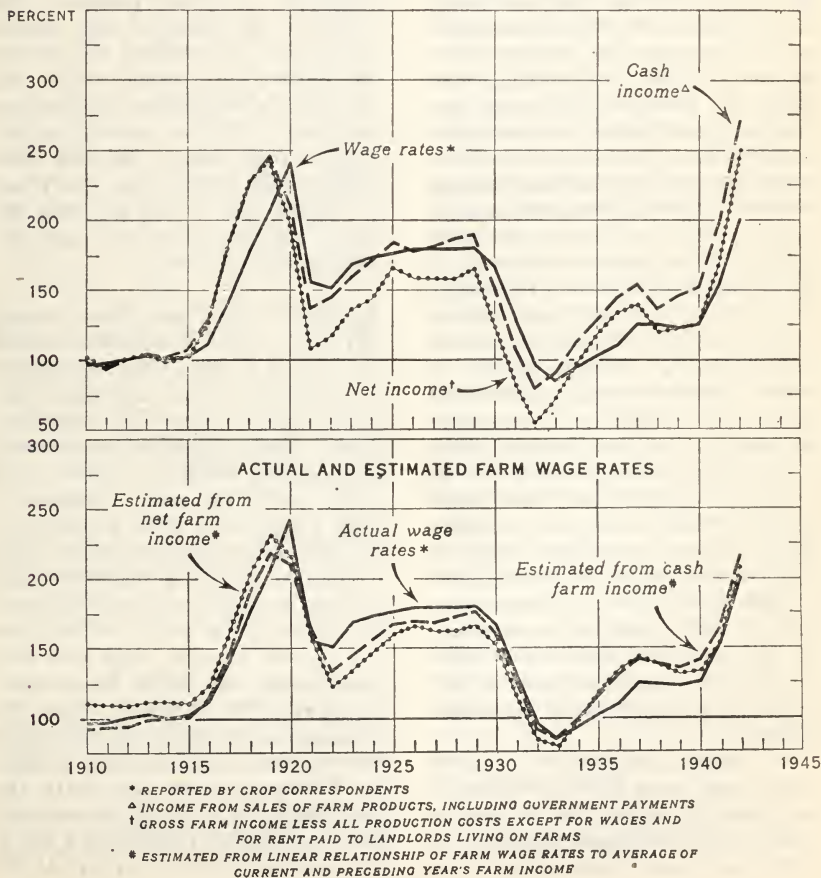
The prospective 1943 annual average farm wage for the country as a whole will probably fall considerably short of reestablishing the 1910-14 ratio of wage rates to net farm income per worker, and is not likely to reach the wage level indicated by the 1935-39 ratio. Farm wage rates in 1943 would have to average approximately .70 or 77 percent higher than in 1942 to reach the 1910-14 ratios of wages to net income per farm worker (family and hired) or per family worker, respectively. The corresponding 1935-39 ratios would require an increase in the annual average wage rates of 45 to 50 percent from 1942 to 1943. From July 1, 1942, to July 1, 1943, farm wage rates have increased by 36 percent.

Current and past trends in farm wage rates in the various major geographic divisions of the country have followed a pattern with respect to farm income which in general outline is similar to the national picture. The available farm income data are more limited for States and geographic divisions than for the country as a whole. Income figures are available only since 1924 and are limited to gross cash income. In each of the 9 geographic divisions of the country, the 1942 wage rate level reflected the improvement in the total gross cash farm income situation. In the New

England and Western States, farm wage rates in 1942 were at a level consistent with the historical wage gross-income relationship, although if allowance is made for the possible total net farm income situation on the basis of United States indications, wage rates in these divisions may have been at a slightly higher level than is suggested by income considerations alone. This is due, no doubt, to a relatively more difficult labor supply situation in these areas of rapid industrial employment expansion and consequently heavy outmigration from the farm population and heavier shifts of farm

# FARM WAGE RATES, CASH FARM INCOME, AND NET FARM INCOME TO PERSONS ENGAGED IN AGRICULTURE, UNITED STATES, 1910-42

INDEX NUMBERS (1910-14=100)



workers to nonagricultural occupations. In the Middle Atlantic and West North Central States, wage rates in 1942 appear to have been at a somewhat lower level than expected on the basis of 1924-42 relationships with farm income. In the South Atlantic, East South Central, and East North Central States, wage rates were at a materially lower than expected level. The lower than expected wage level in the South Atlantic and East South Central Divisions undoubtedly reflects existence of a relatively plentiful labor supply, as compared with that in the northern and western sections of the country.

**E**XAMINATION of the historical trends of wage rates and cash farm income in the several geographic divisions reveals some important differences. In the West North Central States, for example, farm wage rate variations from year to year have generally followed very closely the annual changes in cash farm income through the 1924-42 period, when allowance is made for a half year lag in wage rates. In the Middle Atlantic States farm wage rates tended to be at a higher level relative to farm income during 1924-29 and at a materially lower level throughout the 1935-40 period. A similar disparity between income and wage rates in these two periods also prevailed in the New England, East North Central, and Pacific States. In the South Atlantic and East South Central States wage rates likewise moved above the income level in 1924-29 and below the income level in 1935-40, but to a far greater degree than in other parts of the country. In 1941 and 1942 wage rates tended to move in closer relationship with income in all of the major geographic divisions.

A possible explanation for the higher farm wage level in relation to farm income during 1924-29 may be found in the sustained high level of employment and wage rates in in-

dustry along with the cumulative effects of heavy outmigration from farms during the 1920 decade. A scarce farm labor supply and relatively high industrial wage rates thus tended to sustain the farm wage rate level during these years. During most of the 1930's the opposite situation prevailed, when large unemployment and a slackened migration tended to depress farm wage rates. In addition, mechanization of farming operations had advanced to a point which relative to earlier decades had reduced the demand for farm labor, thus in effect aggravating the surplus labor supply situation. The relative intensities with which all of these factors operated in the various geographic divisions produced differences in the degree of wage income disparities. In the West North Central States, for example, where the departure of wage rates from income was least in the two periods, net migration from farms declined considerably less between the 1920's and the 1930's than in an area like the South Atlantic, where the wage disparities were greatest.

**W**ITH some exceptions during certain years, the relative changes over time in the farm wage rate indexes for the United States and major geographic divisions have been shown to have a fairly consistent relationship with relative changes in income. To know merely the rates of change in wage levels which differ markedly in absolute values does not throw light on reasons for the actual differences in wage rates in the various States of the country. On July 1 of this year the average monthly wage rate with board varied from \$25 in South Carolina to \$116 in California, while the average day rate without board ranged from \$1.50 in South Carolina to \$6.80 in Washington. In July 1942 the weighted average monthly wage of day and month hands varied from a low of \$23 in South Carolina to a high of \$89

in California. There is thus nearly as much of a spread in the wage rates of States at a given time as there is in the farm wage rate level of the country for the past 77 years of recorded wage rate information.

The reasons for such marked differences in farm wage rates among States are manifold and not entirely measurable on the basis of available quantitative information. Nevertheless, considerable light is thrown on existing differences by examining the more important factors associated with them. State differences in income from agricultural production per worker, in the competitive wage rate levels of nonagricultural occupations, in the labor supply on farms, and in the degree of dependence upon hired farm workers are some of the important factors. By relating available measures of these factors to the July 1942 composite farm wage rates, more than 80 percent of the State variation in wage rates can be explained in terms of them.<sup>1</sup> If more adequate statistical data were available for measuring the labor supply factor, and the competitive nonagricultural wage factor, it is probable that a still fuller explanation of farm wage variation among States would be obtained. Under the conditions prevailing in July 1942 State differences in the available labor supply per farm had the largest net influence on State differentials in wage rates, and the prevailing wage rate for common labor in industry the next largest, with farm income per worker and the proportion hired workers comprise of total workers also having important influence. Under more plentiful labor supply conditions than those

prevailing in July 1942, State variations in the agricultural income and industrial wage factors would have greater influence on State differences in farm wage rates.

IN VIEW of the fact that South Carolina has the largest potential labor supply per farm, the lowest cash farm income per agricultural worker, and ties with two other States for the lowest common labor wage rate in industry, it is not difficult to understand why it has the lowest farm wage rate of any State in the country. In the Pacific States, especially in California, the high agricultural income per worker, high level of competitive wage rates in industry, and high degree of dependence on hired workers all combine to produce the highest farm wage rate levels among the States.

The supply of labor actually or potentially available for farm work or for nonagricultural work thus has under present conditions a very important effect directly or indirectly on farm wage rates. In some States the existing wage rate level is depressed by a relatively large labor supply. On the other hand, in some States the scarcity of labor available for farm work, together with unusually high industrial wage rates, has tended to produce a farm wage rate level somewhat higher than would be expected on the basis of farm income considerations alone. The fact remains that farm wage rates for the country as a whole during 1942 and those probable for 1943 are still comparable with a wage level indicated by the 1935-39 ratio of wages to net farm income. This suggests that in some States and areas of the country farm wage rates could advance in the direction of establishing a more favorable wage relationship to income than existed in the 1935-39 period, when wage rates were low relative to the farm income level.

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<sup>1</sup> Based on a multiple correlation analysis of July 1, 1942 composite farm wage rates with the following factors: (1) Cash farm income (including government payments) per farm worker in 1941; (2) hourly entrance wage rates of common labor in industry, July 1942; (3) rural-farm persons 14 years of age and over not employed in nonagriculture, per farm, April 1940; (4) proportion hired workers comprise of total farm employment, June 1, 1942.

# LAND VALUE BENCHMARKS

FOR the first time since 1931, the Bureau of Agricultural Economics index of farm real estate values is now above the pre-World War I level. Farm real estate values in the United States as a whole during the 4 months ending July 1 rose from 99 percent of the 1912-14 average to 102 percent of the average. This marked the second time in 3 decades that the index has crossed 100.

Over this stretch of 30 years, values have been within 10 percent of the base average in only 3 short periods, covering a total of but 5 years. Each of these brief periods was characterized by rapidly changing economic conditions and unstable land value levels. The first of these periods was 1915 and 1916. At that time, land values were still within 10 percent of the base, although the economic impacts of World War I were being felt to an increasing degree and values were about to start on the course that culminated in the 1919-20 land boom. The next time values were inside this range was in March 1931, as they slid into the great depression. At present, under the stimulus of war, the land value index for the country as a whole has climbed back again to the 1912-14 level. In several individual States, of course, land values through the years have remained continuously above pre-World War I averages; in others, values are still far below the 1912-14 levels, although making sharp advances during the past two years.

Despite these facts, a review of public comment on current land market developments indicates a tendency to view the 1912-14 average as "normal" for individual States as well as for the Nation, and to regard current land values as still "too low" if under 100. The implication of this view is that advances to the pre-World War I average are amply warranted and that there is little need for concern over current increases in values until

the 1912-14 average level has been passed. On the contrary, however, the pre-World War I base has no necessary "normal" value implications either for the various States or the United States. Complex economic developments during the last 3 decades have changed materially the former structure of farm product prices, production costs, net farm incomes and rents, and even the land value levels that given land incomes will support. As a result, existing prospective patterns of land values also must inevitably be greatly changed.

QUALITY changes resulting from land reclamation through clearing, drainage and irrigation have lifted value levels in many areas more or less permanently. Expansion in production of more intensive crops, particularly those requiring a heavy investment in orchards and groves, also has caused an upward shift in land value levels in some areas. Similar changes have flowed from an increase in demand for some of the higher income producing crops, such as vegetables and certain types of tobacco; from the growth of industry in areas that formerly were largely rural; and from an increase in demand by city people for rural residences. To a considerable extent, changes such as these explain the increase in value levels during 1935-39 in California and Florida; in Kentucky, Tennessee and North Carolina; in several of the New England States; and in many areas within States, particularly those adjacent to metropolitan centers.

Forces operating in the direction of a downward shift in value levels from those of the 1912-14 period have predominated in other areas. Reduction in the export or domestic demand for certain major crops and a revaluation of long-run productivity potentialities appear to be the principal elements in this type of value

level shift. The revaluation has resulted from a fuller appreciation of limitations imposed upon production by factors such as soil depletion and erosion and climatic fluctuations.

Developments in certain of the Northern Plains States show how such factors have lowered land value levels. A succession of crop failures due to droughts during the '30s convinced many farmers and investors that major areas in these States were not suited for permanent arable agriculture under existing types of farm enterprise. Successive years of low income caused widespread mortgage debt and tax delinquency and forced much distressed land upon the market. During those years, unwilling owners had almost no opportunity to liquidate their holdings. Although farmers in these States recently have had several good crop years and increasingly favorable prices, accompanied by expansion in farm sales and land values, the basic attitude toward long-run production prospects still appears to be influenced to a considerable extent by the experience of the '30s. Also, a cautious attitude continues with respect to the long-term outlook for wheat prices. Even though values may rise along with the current decline in lending agency holdings and with the easier handling of private and public debts and taxes, other influences indicate that future land value levels in these areas are likely to be substantially below those of 1912-14.

**M**ost of the types of forces cited here have influenced land values largely through their effect upon land income, with impacts more or less peculiar to particular areas or regions. Yet land income is but one of the two primary elements determining land value levels. The other is the relation between income and values. Since the 1912-14 base period a significant change has occurred in land income and land value relationships in terms of the ratio of current rents

to values. The ratio of current income to value in the pre-World War I years ran in the neighborhood of 4½ percent. During the more stable income periods since that time, 1925-29 and again 1935-39, the ratio averaged about 5½ to 6 percent. Before the last war, many buyers were anticipating a continuous long-time upward trend in land values and were willing to accept lower current returns in anticipation of an increase in capital values. After the price crash in 1920, the return then being received was increasingly considered the full return expected, and needed to cover not only the rates available from more or less risk-free and liquid alternatives, but also the particular risks and possible lack of liquidity associated with land ownership. Due to an increased awareness of the nature of the returns, the proportion required to cover risks has probably increased. Because of major commodity price fluctuations, returns are now considered more uncertain than they were regarded previously, and the possibility of the physical depletion of land resources through erosion is more real. Contributing further to this change has been an increase in the reluctance of purchasers to sacrifice living levels in order to support higher land values.

Although interest rates on alternative investment opportunities, including farm mortgages, have been declining and are below those of the 1912-14 period, this reduction probably has not been sufficient to prevent a net rise in the rate of return required on land investments if adequate recognition is given all the various costs and risks involved.

As a result of this change in the income-value relationship, the value levels that a given net land income series would maintain in the pre-World War I period were from 15 to 20 percent higher than the levels that would have been supported by the same income in the years immediately preceding the present war.

Altogether, these considerations suggest the need for a more recent base than 1912-14 in evaluating the significance of wartime changes in land values. The 1935-39 period, for example, would provide a more appropriate bench mark. During this relatively recent period, values were exceedingly stable for the country as a whole, as well as in the various geographic divisions. This general stability continued into 1940 and 1941. Average per acre net rents (including Government payments) in the 1935-39 period were almost identical with the 1912-14 average.

OF COURSE, future farm prices and incomes, and hence rents, may change drastically as the result of the war. But if net rents in the longtime post-war period return to the levels prevailing in both the pre-war periods, land values for the country as a whole are more likely to tend toward the 1935-39 average rather than that of 1912-14. Again, the return to such an average national rent level is likely to involve a regional pattern of rents and values approaching much closer to that of 1935-39 than of 1912-14. Principal areas in which an upward adjustment from the 1935-39 value levels would appear warranted would be the extreme western Corn Belt and

the Northern Plains. Because of a series of crop failures, rents were low in this period and values were further depressed by the extensive land holdings of unwilling owners. Such an adjustment would result in future value level expectations definitely above those of 1935-39, although still far short of 1912-14.

The validity of the benchmark used in judging the significance of wartime value changes and levels is more than an academic question. To the extent that the actions of farm buyers and lenders are based on the belief that current land values are "too low" merely because values are under those of 1912-14, they are operating upon a shaky premise. In many areas value fluctuations with peaks not materially in excess of the pre-World War I levels could have consequences approaching in seriousness those that followed World War I. The unconsidered acceptance of the view that values will ultimately return to levels of a period as far back as 1912-14 is likely to divert attention from the basic elements entering into determination of warranted value levels, and at the same time lead to complacency concerning current developments and the need for controls.

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## FEDERAL CROP INSURANCE

THAT part of the Agricultural Appropriation Act of 1944 which had to do with the Federal crop insurance program stipulated that " \* \* \* no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purpose except in connection with the liquidation of insurance contracts on the wheat and cotton crops planted prior to July 31, 1943."

Inasmuch as wheat insurance contracts written on the 1943 crop—approximately 487,000 of them—were for a 3-year period the Federal Crop

Insurance Corporation is now in the process of notifying these growers that any crop planted after July of this year cannot be insured. The 1943 contract contained a proviso that insurance under it was subject to any subsequent legislation including appropriation statutes, which Congress might enact. Insurance written on the 1943 wheat and cotton crops is still in force, however, and all justifiable claims will be paid.

With the FCI program thus bowing out of the general farm program, it might be well to take a retrospective glance at what its objectives were and

what was accomplished toward fulfilling them.

First of all, the need for some kind of protection to the farmer against unavoidable crop losses is as old as agriculture itself. This need has always been recognized and was not questioned by Congress this year in failing to provide funds to continue the program. At different times between 1899 and 1932 private insurance companies had ventured into the all-risk insurance field, but for various reasons none was successful. The experience of these companies was drawn upon as far as possible in setting up the Federal crop insurance program as administered under Title V of the Agricultural Adjustment Act of 1938.

**A**SIDE from the obvious objective of alleviating the direct effects of crop failure, the program as first applied to wheat in 1939 and to cotton in 1942 had other important functions: (1) To develop through experience a sound and workable system of insurance for farmers so they, like people in virtually every other line of business, might protect themselves against unavoidable catastrophies; and (2) To lessen the amount the government has been required to spend for agricultural relief because of crop failures, which, during the period from 1926 to 1935, averaged approximately \$60,000,000 a year.

The two principal criticisms of the

crop insurance program were the limited participation in the program, and the excess of losses over premiums each year, even though some of the years since 1939 have been reasonably good crop years for the nation as a whole.

This year nearly a third of the nation's wheat growers are protected against loss of their crop. This year, the second year for cotton crop insurance, about one-tenth of the cotton growers are protected against loss of cotton and cottonseed. Participation and other significant figures pertaining to the program are shown by years, in the following tabulation:

The record of losses in relation to premiums is not as favorable as was originally anticipated. It should be remembered, of course, that the program was developed without any experience except that of private insurance companies. It was decided to insure on a yield basis rather than on an income basis in order to avoid insuring price risks; the principle of insurance in kind was a natural consequence of this decision. Instead of insuring all farms in an area on the same basis, the coverage per acre and the premium rate were determined to fit the farm. To create an incentive to produce the best crop possible, coverage could not exceed 75 percent of the farm's average yield. To utilize existing Department of Agriculture machinery and to have the program

#### Wheat

Crop year	Farms insured	Number indemnities	Acreage insured	Insured production	Premiums collected	Indemnities	Premiums less indemnities
				<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
1939.....	165, 775	55, 932	7, 235, 000	60, 837, 000	6, 670, 315	10, 163, 899	-3, 493, 584
1940.....	360, 596	112, 762	12, 755, 000	108, 282, 000	13, 796, 797	22, 899, 016	-9, 102, 219
1941.....	371, 392	130, 770	11, 736, 000	104, 327, 000	12, 643, 186	18, 837, 078	-6, 193, 892
1942.....	400, 048	108, 420	( <sup>1</sup> )	( <sup>1</sup> )	8, 770, 002	10, 570, 880	-1, 800, 878
Total.....	1, 297, 811	407, 884			41, 880, 300	62, 470, 873	-20, 590, 573

#### Cotton

					<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
1942.....	172, 721	47, 195	2, 725, 000	( <sup>1</sup> )	31, 451, 235	52, 159, 220	-20, 707, 985

<sup>1</sup> Not available.

Preliminary figures on number of farms on which insurance was written for 1943 are: Wheat 487,663; cotton 177,296.

run by men experienced in farming and familiar with other phases of the Department's program, crop insurance has been handled in counties by county and community committeemen of the Agricultural Adjustment Agency.

ONE of the principal problems encountered in the operation of the program was that of establishing average yields for individual farms. Data were not available for the majority of the farms and many of the data that were available were unreliable or no longer applicable. Many of the average yields had to be appraised or revised and there was a strong tendency to bring those estimates closer to the county average than they should have been. This tended to result in over-insurance of farms of low productivity and under-insurance on farms of high productivity. It is

probable that the number of over-insured farms in the program has exceeded the under-insured ones because insurance is more attractive for the over-insured farms.

Adverse selection of risks is difficult to avoid in any type of insurance. If soil moisture or other seeding conditions are unfavorable, it is more likely that the farm will be insured than if conditions are favorable. For example, lack of soil moisture in the Plains area resulted in heavy insurance in 1939 and 1940, whereas, plentiful moisture before seeding time in 1941, 1942, and 1943 in this area resulted in a serious decrease in insurance participation.

The program has been administered in over 2,000 counties, and in some of these counties crop insurance was a minor phase of the work of those who administered the program.

Crop Insurance Participation Cumulative Figure, 1939-1942, by States as of June 30, 1943

State	Farms insured	Number of indemnities	Premium	Indemnity	Surplus (+) deficit (-)	Farms insured 1943 <sup>1</sup>
			<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	
Arizona.....	323	137	6, 672	33, 603	-26, 931	207
Arkansas.....	77	35	666	3, 397	-2, 731	49
California.....	7, 884	3, 601	632, 678	2, 033, 219	-1, 400, 541	3, 048
Colorado.....	14, 045	4, 210	858, 300	843, 686	+14, 614	4, 793
Delaware.....	1, 834	214	16, 193	13, 200	+2, 993	418
Idaho.....	25, 559	3, 119	582, 472	707, 069	-124, 597	6, 726
Illinois.....	89, 088	25, 676	1, 127, 936	2, 405, 016	-1, 277, 080	68, 549
Indiana.....	100, 702	25, 676	1, 011, 773	1, 667, 978	-656, 205	47, 659
Iowa.....	23, 942	8, 719	351, 834	954, 084	-602, 250	7, 440
Kansas.....	169, 628	67, 092	8, 820, 081	14, 611, 387	-5, 791, 306	49, 777
Kentucky.....	2, 407	456	34, 665	25, 298	+9, 367	2, 983
Maryland.....	8, 417	739	68, 067	44, 975	+23, 092	2, 328
Michigan.....	62, 661	9, 897	378, 380	386, 405	-8, 025	36, 918
Minnesota.....	61, 184	11, 752	878, 853	708, 026	+210, 857	17, 394
Missouri.....	80, 293	32, 403	979, 371	3, 199, 982	-2, 220, 611	48, 603
Montana.....	14, 872	3, 416	1, 849, 878	1, 171, 665	+678, 213	2, 950
Nebraska.....	191, 679	88, 960	6, 868, 296	13, 854, 145	-6, 985, 849	47, 393
Nevada.....	336	110	5, 985	12, 532	-6, 547	96
New Jersey.....	565	43	3, 194	2, 214	+980	287
New Mexico.....	792	280	93, 236	114, 080	-20, 844	475
New York.....	4, 393	333	30, 858	20, 690	+10, 198	2, 407
North Carolina.....	2, 510	196	11, 056	5, 775	+5, 281	3, 731
North Dakota.....	91, 188	22, 492	5, 320, 491	3, 911, 343	+1, 415, 148	12, 226
Ohio.....	109, 177	15, 360	1, 052, 083	639, 904	+412, 179	49, 710
Oklahoma.....	77, 932	28, 882	2, 558, 549	3, 959, 987	-1, 401, 438	21, 667
Oregon.....	11, 307	2, 533	667, 639	469, 832	+197, 807	4, 789
Pennsylvania.....	22, 330	3, 276	139, 017	161, 022	-22, 005	9, 035
South Dakota.....	52, 353	22, 580	3, 059, 290	3, 862, 524	-803, 234	6, 209
Tennessee.....	2, 103	176	12, 296	5, 922	+6, 374	1, 603
Texas.....	33, 747	19, 465	3, 024, 214	5, 512, 404	-2, 488, 190	13, 284
Utah.....	8, 561	1, 237	157, 430	172, 939	-15, 509	4, 584
Virginia.....	7, 268	879	56, 600	40, 090	+16, 510	1, 780
Washington.....	13, 052	1, 748	758, 199	432, 651	+325, 548	4, 838
West Virginia.....	600	118	4, 722	6, 196	-1, 474	941
Wisconsin.....	3, 518	743	20, 637	27, 724	-7, 087	2, 060
Wyoming.....	3, 544	1, 331	332, 632	339, 910	-57, 278	705
Total.....	1, 297, 811	407, 884	41, 880, 303	62, 470, 874	-20, 590, 571	487, 663

<sup>1</sup> Preliminary.

As experience in the program was obtained and analyzed, many improvements were made. Wheat on summer-fallowed and continuously cropped land on the same farm were insured on the basis of different average yields and premium rates. Control figures known as county check yields and check rates were placed over the average yields and premium rates established for individual farms. Annual yield data were gathered for farms each year and incorporated into the average yield and premium rate figures already established so as to improve and keep such figures current. Premium rates in general were increased to cover losses that were larger than anticipated.

**TO AVOID** adverse selection of risks, closing dates for acceptance of applications were advanced to as early a date as practicable and arrangements for payment of the premium were required to be made with the submission of the application. In 1942 farmers were required to insure all the farms they owned in any given county—they could not pick and choose. In 1943 to still further avoid adverse selection of risks a 3-year contract was adopted. The Crop Insurance Act provided that insurance would be written on an annual basis for the first 3 years.

The benefits of some of these improvements have not yet had time to accrue or to be reflected in results. Whether they would have kept losses within premium collections cannot be determined in view of discontinuation of the program.

The cotton insurance program began with the 1942 crop. Although much of the wheat experience was applicable, new problems were encountered. Being a tilled crop, care during the growing season was a more important factor than in the case of wheat. Also, the latest possible date on which insured growers should be required to replant acreage on which they did not get a

stand was an important problem. The insurance of sharecroppers involved field insurance rather than farm insurance and necessitated a different insurance proposition for landlord and tenant. For 1943 a plan is being tried on American-Egyptian cotton whereby indemnities will be reduced to reflect the savings in cost where the acreage was abandoned or where costs of picking are reduced as a result of low yields. This principle was incorporated in both wheat and cotton programs as planned for 1944. Benefits of experience in cotton even more so than for wheat have not had time to be reflected in loss experience.

**THE** character and location of the losses under the wheat insurance program are interesting. The high-risk wheat-producing area of the Plains States was not the principal beneficiary of the insurance program. Participation and losses in 1939 and 1940 were heavy in the hard winter wheat area of the Southern Plains States as a result of deficient moisture. In fact, 75 percent of the 1940 losses for the country as a whole were attributable to drought and although summarized data are not available for 1939, the situation apparently was quite similar. The spring wheat States have had relatively small losses throughout the program and have built up a substantial balance in excess of indemnities.

In 1941 nearly 60 percent of the losses for the entire wheat program were attributable to winter kill, a result of the severe freeze on November 11, 1940, covering the area from central Nebraska to central Illinois. Final figures on 1942 losses are not yet available but indications are that heaviest losses were caused by winter kill and poor growing conditions in much of the Corn Belt and greenbug infestation in parts of Oklahoma and Texas. In 1943 it is apparent that a large part of the losses will be in the area east of the Plains where winter kill and floods have been the main

causes of wheat crop failures. This record of losses indicates that the insurance program has filled a need for protection not only in the high-risk

areas but throughout the country as a whole.

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## FARM TENURE CHANGES

SHIFTS in the tenure of farms during wartime are occurring at a very rapid rate. Recent investigations in selected areas indicate that more tenants than usual changed farms at the beginning of this crop year, and that the rate of turn-over in farm ownership at the end of 1942 was greater than any time since the first World War. During the year preceding March 1, 1943, the ownership of farms changed at the rate of 44.4 per thousand. This represents a considerable increase over the low point in 1932 when 16.2 farm sales or trades were made per 1,000 farms, and a significant rise above the 1940 rate of 30.2 per thousand. Increased farm purchase and sale activity accounts for only a part of the present rapidly changing farm operating unit pattern. Furthermore, as indicated by recent investigation in the field, more farming units were reconstituted at the beginning of this year than during the past several years.

War-created circumstances are largely responsible for the unusual magnitude of tenure changes. The drain of younger men from farms into the armed forces and into industrial employment and the flow of family men from the cities to the farms, have brought about this increased turn-over in the occupancy of the Nation's farms. Not all of the change, however, is attributable to in-and-out migration. Much reshuffling has been occurring among the established farmer groups. In the better agricultural areas, many changes are brought about by farmers purchasing farm units for their sons. The shortage of manpower in some sections has given many tenants an opportunity to go to larger and better equipped farms. Some farmers who

have lost their hired laborers have been compelled to reduce the size of their operations, and to reorganize units accordingly. Generally, farmers throughout the country have been able to use their high wartime incomes for purchasing small tracts necessary for rounding out better farm units.

IN THE majority of the areas investigated, more than 20 percent of all farms underwent some sort of tenure change between 1942 and 1943. In one area of the Great Plains, 35 percent of the farms (comprising nearly 40 percent of the entire land area) were involved in tenure shifts of one sort or another. Here 21 percent of the farms were involved in change in operatorship only, 6 percent in ownership change, and 8 percent in both operatorship and ownership shifts.

During 1941-42, farmers were confronted with a probable continuing decline in their labor supply. This situation led to many changes in the operation of farms as farmers began to plan for a continued labor shortage throughout the remainder of the war. Efforts on the manpower front, however, began to be felt in 1943. The drain away from the farms was slowed down materially, and considerable migration back to the farms has taken place in some areas. Faced with a potentially less acute scarcity of labor, farmers felt free again to expand operations in accordance with their resources. With the improvement in the labor situation in 1943, farm operators who had reached retirement age in 1942, but who continued to farm, established tenants in full charge of their farms and discontinued active farming. Primarily because of the improvement in the labor situation,

farms in the marginal areas that were idle in 1942 have been taken up again in 1943. In some sections of the country, chiefly the wheat and range livestock areas, significant expansion in crop acreages has occurred.

The conditions that are giving rise to tenure changes differ vastly from one area to another. Likewise, the tenure situation is by no means similar for all sections. As may be expected, because of wide geographical differences in the agricultural situation, it is not surprising that entirely opposite tenure trends are occurring. In North and South Dakota, for example, where farm tenancy had climbed to 45 and 53 percent of all farm operators respectively in 1940, a marked reversal of trends is noted. In one area surveyed in North Dakota, tenancy declined from 56 percent in 1941 to 35 percent in 1943, and in an area where records were obtained in South Dakota, the percentage of tenancy for this 3-year period declined from 61 to 52. On the other hand, investigations in selected areas in Nebraska and Kansas reveal the continuation of a steady trend toward tenant farming. In the Nebraska area, tenancy increased from 60 percent in 1941 to 73 percent in 1943, and in the Kansas area, tenancy rose from 42 to 44 percent.

WITHIN any one area, not all farmers are experiencing the same success in improving their tenure status. Some farmers within the same general areas are increasing their tenure security materially, while the tenure of some is being undermined, and still others are establishing themselves on a very hazardous tenure footing. The well-established farmer with a good productive plant is making more money than ever before. He is paying off his mortgage indebtedness, increasing the size of his farm unit, and generally becoming more firmly established. The situation applies to the large bulk of owner and part-

owner operators in the best commercial farming areas. The total farm mortgage indebtedness of all farmers has continued to decline. During 1942, mortgage debt repayments exceeded new mortgages placed on farm real estate by 364 million dollars. In addition to paying off debts, many owner operators on small farms are buying additional acreage, thus acquiring farm units with more economic stability. The part-owner operator in many sections is purchasing the tracts of land which he has formerly rented. Altogether, during the last year, about half of the farm real estate purchases for operation were by owner operators.

In contrast to these groups who are improving their tenure situation, there are others for whom the tenure outlook is not too good. One of these groups consists of those who have been purchasing farms on contract with small down payments and at relatively high prices. In the event of an economic collapse after the war, many of these purchasers would find it difficult or impossible to meet their contract payments. Another group whose tenure situation is uncertain consists of those who have contracted to pay excessively high rents. Fortunately, current reports indicate that rents are exorbitantly high in only a few areas. Still another group whose future security is uncertain consists primarily of those who have recently moved from the city to farms that are small and unproductive. These new farmers have been compelled by competition to take up the small, less desirable farming units. Established farmers with considerable farming experience have had first choice of available farms to rent.

In addition, in the unprecedented reshuffling that is going on at the present, many farm operators are losing out. Farm tenants are experiencing a loss in a portion or all of their units when the ownership of the land is changed. They must be satisfied

with smaller units or seek new locations. To obtain new farms, many are forced to accept higher rent contracts. Undoubtedly, the majority of tenants who moved at the beginning of this year improved their situation because of their generally improved bargaining position, although not all of them did so. For example, in one western area where investigations were made, it appears that purchase and sale transactions have resulted in absorption of a considerable number of small farms by the larger operators. The small farmers, whose farms have been bought up, for the most part have been obliged to rent less desirable farms, and in some instances must pay two or three times the pre-war rent.

**T**HUS far in the war, farmers as a whole have been making rapid progress in acquiring ownership of the land they operate. From 1939 to 1941, two-thirds of all the buyers of farm real estate were active farmers. During this same period, only a third of the sellers of farms were farmers. The net gain in ownership by farmers approximated a third of all land transferred during this three-year period. From the gains in ownership by farmers through purchase and sale transactions, of course, must be subtracted the losses through foreclosures, tax forfeitures, and land reverting to estates upon the death of owner operators. In 1943, farmer sales have continued at the one-third level, but their acquisitions have declined from two-thirds to two-fifths of all farm purchases.

Ownership by lending agencies, estates, and retired farmers has declined sharply during the past few years. It will be recalled that the loss of ownership by farmers through foreclosure during the depression years reached catastrophic proportions. In 1933 alone, 39 farms out of each 1,000 were lost through foreclosure and related defaults. Foreclosures continued at above the normal rate

through 1937, by which time the leading lending agencies had accumulated farm real estate valued at more than 1 billion dollars. Starting at the beginning of 1938, the holdings of these lending agencies have been rapidly liquidated, and by the beginning of 1943, had declined to \$620,000,000. An abnormal accumulation of estate holdings also occurred during the depression years when heirs were reluctant to dispose of inherited farms at depression prices. Now, with a considerable advance in land prices, interested parties have shown an increase in willingness to dispose of their holdings.

Active farm tenants, owner-operators, and part-owner operators have acquired a large share of the farms disposed of by lending agencies, estates, and other unwilling owners. Of recent date, however, individual investors in some sections have become more active buyers than farmers.

**F**ARM rent increases have exceeded somewhat the rate of increase in land values. The average cash rent per acre for those farms rented wholly for cash in the East and West North Central States is 11 percent higher than in 1942, and 26 percent higher than in 1940. Rents for irrigated and grazing land have risen more sharply than rents for general farms. In the 11 Western States, the average rent per acre for grazing land has risen approximately 35 percent since 1940. Rents this year for irrigated land in these Western States were 50 percent above the average for 1940.

Rental returns to landlords renting on a share basis have increased more rapidly than cash rents. Share rents throughout the Corn Belt are reported yielding substantially more than cash rents primarily because of the increase in agricultural prices. Increases in fractional shares are reported in only a few areas. On combination share and cash rental arrangements, little change has been made in the frac-

tional shares, but cash payments have been boosted considerably. For the United States, 37 percent of nearly 9,000 real estate dealers reporting on rent changes in their locality on March 1, 1943, indicated increases over the previous year in cash payments on share-cash rental arrangements. Approximately one-half of these dealers reported no change over 1942 in fractional share rents or cash rents.

Some shift in major types of renting is resulting from the high agricultural incomes, exceptionally favorable livestock-feed price ratios, the labor situation, and other factors. Quite a number of landlords have entered 50-50 livestock share arrangements with their tenants in corn-hog and dairy farming sections. In other cases, landlords have shifted from cash renting to crop-share leasing. At present, share renting arrangements are yielding greater returns to landlords than prevailing cash rents, especially in areas where crop yields are relatively stable. Therefore, many tenants are desirous of shifting to a cash basis, and landlords are exerting pressure on tenants to shift to crop and livestock share-renting, with the determination as to whether a shift shall occur resting primarily upon the relative bargaining position of the parties. The type of agricultural area also appears to have some influence upon the direction of the shift in method of renting that is taking place. In the more hazardous producing areas, semi-arid regions and poorer farming sections generally, cash renting is tending to increase. In the better agricultural areas, on the other hand, the general tendency appears to be toward an increased amount of share renting.

MANY resident landlords, who have been operating farms with hired managers or hired laborers, have shifted to tenant operation. In order

to hold managers on farms, these landlords have changed the basis of their employment from a fixed salary to a share of the income. Some local landlords who maintain full management of their farms and use hired laborers have shifted laborers from a paid basis to a sharecropping basis. This system and the 50-50 livestock share-renting arrangement are especially well adapted for newcomers who wish to take over fully equipped farms from retiring owner operators.

In the South, the trend away from sharecropping, noted in the last decade, appears to have been reversed. From 1930 to 1940, the number of sharecroppers decreased 235,000, or 30 percent. Some of these croppers left agriculture, others entered a tenant status, but the majority shifted to wage labor status. Starting about 1932, the trend away from sharecropping continued until about 1939. Beginning in 1939, larger numbers of plantation managers made an effort to shift again to a system placing greater emphasis on the sharecropper as a source of labor. A principal reason for the recent shift to sharecropping is that laborers are now in a better bargaining position than formerly. When the Southern farm laborer has the opportunity, he chooses sharecropping in preference to day labor status. Another factor giving rise to this shift is that plantation managers have been willing to give laborers a sharecropper's status in order to help retain a stable labor supply. It is expected that the trend toward increased use of sharecroppers will continue as long as there is a labor scarcity. The future of the sharecropper system after the war is uncertain. For the country as a whole, the prospects are promising for a net gain in the tenure position of the Nation's farmers.

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# Economic Trends Affecting Agriculture

Year and month	Industrial production (1935- 39=100) <sup>1</sup>	Income of in- dustrial workers (1935- 39=100) <sup>2</sup>	Cost of living (1935- 39=100) <sup>3</sup>	1910-14=100					
				Whole- sale prices of all com- modi- ties <sup>4</sup>	Prices paid by farmers for commodities used in—			Prices paid, interest and taxes	Farm wage rates
					Living	Produc- tion	Living and pro- duction		
1925.....	90	126	125	151	163	147	156	169	176
1926.....	96	131	126	146	162	146	155	168	179
1927.....	96	127	124	139	160	144	153	166	179
1928.....	99	126	123	141	160	148	155	168	179
1929.....	110	134	122	139	159	147	154	167	180
1930.....	91	110	119	126	150	141	146	160	167
1931.....	75	84	109	107	128	123	126	142	130
1932.....	58	58	98	95	108	109	108	124	96
1933.....	69	61	92	96	108	108	108	120	85
1934.....	75	76	96	109	122	123	122	129	95
1935.....	87	86	98	117	124	127	125	130	103
1936.....	103	100	99	118	123	125	124	128	111
1937.....	113	117	103	126	128	136	131	134	126
1938.....	89	91	101	115	122	125	123	127	125
1939.....	108	105	99	113	120	122	121	125	123
1940.....	123	119	100	115	121	124	122	126	126
1941.....	156	169	105	127	131	131	131	133	154
1942.....	181	238	118	144	154	149	152	151	201
June.....	176	234	116	144	154	150	152	151	183
July.....	178	240	117	144	155	150	153	152	202
August.....	183	251	118	145	156	150	153	152	-----
1943—May.....	203	302	125	152	170	162	167	163	-----
June.....	201	305	125	152	171	163	168	164	251
July.....	205	-----	124	151	172	164	169	165	274
August.....	-----	-----	-----	-----	172	164	169	165	-----

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Ratio, prices received to prices paid, interest and taxes
	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1925.....	157	177	172	153	141	153	163	156	92
1926.....	131	122	138	143	147	152	159	145	86
1927.....	128	128	144	121	140	155	144	139	84
1928.....	130	152	176	159	151	158	153	149	89
1929.....	120	144	141	149	156	157	162	146	87
1930.....	100	102	162	140	134	137	129	126	79
1931.....	63	63	98	117	92	108	100	87	61
1932.....	44	47	82	102	63	83	82	65	52
1933.....	62	64	74	105	60	82	75	70	58
1934.....	93	99	100	103	68	95	89	90	70
1935.....	103	101	91	125	117	108	117	108	83
1936.....	108	100	100	111	119	119	115	114	89
1937.....	126	95	122	123	132	124	111	121	90
1938.....	74	70	73	101	114	109	108	95	75
1939.....	72	73	77	105	110	104	94	92	74
1940.....	85	81	79	114	108	113	96	98	78
1941.....	96	113	92	144	144	131	122	122	92
1942.....	119	155	125	199	189	162	151	157	104
June.....	116	153	148	169	191	141	137	151	101
July.....	115	155	131	200	193	144	145	154	100
August.....	115	151	126	256	200	151	158	163	107
1943—June.....	151	166	234	308	211	178	179	190	115
July.....	154	163	230	315	206	178	183	188	116
August.....	155	167	204	368	206	181	193	193	117

<sup>1</sup> Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

<sup>2</sup> Total income, adjusted for seasonal variation. Revised March 1943.

<sup>3</sup> Bureau of Labor Statistics.

<sup>4</sup> Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

<sup>5</sup> Revised.

NOTE.—The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is intended to measure volume, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income, since output can be increased or decreased to some extent without much change in the number of workers.